

## Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-03 INR-11 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 SAJ-01 L-03 H-03 PA-04 PRS-01 USIA-15 AGR-20

SWF-02 DOTE-00 PM-07 DODE-00 AEC-11 SCI-06 IO-14

ABF-01 FSE-00 A-01 DRC-01 /243 W  
----- 043131

R 271620Z SEP 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 5335

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

UNCLAS SECTION 01 OF 02 BONN 15327

DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING SEPTEMBER  
26)

REF.: BONN 14440, BONN 15273

1. EXPANSIONARY MINI-BOOST PROGRAM INCREASED TO  
DM 950 MILLION, ON SEPTEMBER 24, THE PUBLIC SECTOR  
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FINANCIAL PLANNING COUNCIL (FEDERAL AND STATE FINANCE

MINISTERS AND REPRESENTATIVES OF THE MUNICIPALITIES) ENDORSED GOVERNMENT PLANS TO BOOST CONSTRUCTION IN AREAS FACED WITH ABOVE-AVERAGE UNEMPLOYMENT AND RECOMMENDED ADDING ANOTHER DM 50 MILLION TO THE DM 900 MILLION ORIGINALLY ENVISAGED FOR THIS PURPOSE BY THE FEDERAL GOVERNMENT (SEE BONN 14440). ON SEPTEMBER 25, THE CABINET PASSED A DM 950 MILLION PROGRAM, CONSISTING OF TWO PARTS. THE FIRST, COMPRISING A TOTAL OF DM 700 MILLION TO BE BORNE IN EQUAL SHARES BY THE FEDERAL GOVERNMENT AND THE STATES, PROVIDES FOR OUTLAYS FOR MUNICIPAL INFRASTRUCTURE PROJECTS, MODERNIZATION OF OLDER HOUSING UNITS AND CONSTRUCTION OF NEW UNITS FOR THE OLD-AGED AND LARGER FAMILIES, AND FOR STRUCTURAL IMPROVEMENTS IN THE AGRICULTURAL SECTOR. THE SECOND, WHICH TOTALS DM 250 MILLION TO BE FINANCED EXCLUSIVELY BY THE FEDERAL GOVERNMENT, INCLUDES CONSTRUCTION FOR THE FEDERAL RAILWAYS, FOR THE DEFENSE SECTOR, AND FOR NUCLEAR AND OTHER RESEARCH.

2. ORDER PLACEMENTS UNDER THE PROGRAM ARE TO BE COMPLETED BEFORE THE YEAR IS OVER, WITH SMALL AND MEDIUM-SIZED CONTRACTORS RATHER THAN BIG BUSINESS INTENDED TO BE THE MAJOR BENEFICIARIES. PROJECTS TO BE PROMOTED ARE TO BE OF A MAGNITUDE PERMITTING COMPLETION BY THE END OF 1975. THE PROGRAM WILL BE FINANCED LARGE-LY FROM FEDERAL AND STATE REVENUES CREATED FROM THE 11 PERCENT INVESTMENT TAX LEVIED BETWEEN MAY 9 AND NOVEMBER 30, 1973 TO CHECK EXCESS DEMAND PREVAILING AT THAT TIME.

3. BONN CONSIDERS US IMF QUOTA INCREASE PROPOSAL A GOOD COMPROMISE. IN AN INTERVIEW WITH JOURNALISTS FINANCE MINISTER APEL, BESIDES AFFIRMING GERMAN PLANS TO PROPOSE AT THE IMF MEETINGS AN INTERNATIONAL INVESTMENT BANK TO AID IN RECYCLING PETROCURRENCIES STATED THAT: "THE AMERICAN COMPROMISE PROPOSAL TO INCREASE IMF QUOTAS BY 25 PERCENT SEEMS TO BE A PRACTICABLE APPROACH."

4. FOREIGN EXCHANGE MARKET. THE DOLLAR STRENGTHENED  
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SLIGHTLY TOWARD THE END OF THE WEEK AND WAS ATTRIBUTED BY THE GERMAN FINANCIAL PRESS IN PART TO THE ANTICIPATED ACTION BY THE CENTRAL BANK COUNCIL ON THURSDAY TO REDUCE BANK MINIMUM RESERVE REQUIREMENTS (SEE BONN 15273). DURING THE REPORTING WEEK SPOT AND FORWARD DOLLARS DEVELOPED AS FOLLOWS:

FORWARD DOLLARS

(DISCOUNTS IN PCT.P.A.)

|         | SPOT DOLLARS | ONE-MONTH | THREE-MONTH |
|---------|--------------|-----------|-------------|
| SEPT 20 | DM 2.6607    | 2.0       | 2.9         |
| 23      | 2.6605       | 2.0       | 2.3         |
| 24      | 2.6510       | 1.6       | 2.0         |
| 25      | 2.6595       | 1.6       | 2.2         |
| 26      | 2.6597       | 1.8       | 2.5         |

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SWF-02 DOTE-00 PM-07 DODE-00 AEC-11 SCI-06 IO-14

ABF-01 FSE-00 A-01 DRC-01 /243 W

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R 271620Z SEP 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 5336

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

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AMCONSUL FRANKFURT

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WITHIN THE JOINT FLOAT THE DEUTSCHEMARK REMAINED THE WEAKEST CURRENCY. WITH THE EXCEPTION OF THE DANISH CROWN ON SEPTEMBER 20, ALL FLOAT CURRENCIES WERE ABOVE THEIR DEUTSCHEMARK CENTRAL RATES. THE NORWEGIAN CROWN REACHED ITS UPPER DM INTERVENTION RATE ON MONDAY AND THE BUNDESBANK INTERVENED WITH SALES OF 200,000 CROWNS.

5. MONEY MARKET. DURING THE REPORTING WEEK THE FRANK-  
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FURT INTER-BANK RATES DEVELOPED AS FOLLOWS:

|         | CALL MONEY | ONE-MONTH MONEY | THREE-MONTH MONEY |
|---------|------------|-----------------|-------------------|
| SEPT 20 | 9.0-9.2    | 9.2-9.5         | 9.4-9.7           |
| 23      | 9.0-9.2    | 9.2-9.5         | 9.4-9.7           |
| 24      | 9.0-9.4    | 9.2-9.5         | 9.4-9.7           |
| 25      | 9.0-9.5    | 9.2-9.5         | 9.4-9.7           |
| 26      | 9.0-9.5    | 9.2-9.5         | 9.4-9.7           |

MONEY SUPPLY. IN JULY THE RATE OF MONETARY EXPANSION REMAINED LOW. THE WIDELY-DEFINED MONEY SUPPLY (M2), WHICH HAD REMAINED UNCHANGED SINCE THE END OF APRIL, FELL SLIGHTLY BY DM 0.6 BILLION AND THE NARROWLY-DEFINED MONEY SUPPLY (M1) INCREASED BY DM 0.5 BILLION. DURING THE LAST 6 MONTHS, ON A SEASONALLY ADJUSTED BASIS AND AT ANNUAL RATES, M1 INCREASED BY 7.5 PERCENT AND M2 BY 0.6 PERCENT. AT THE END OF AUGUST 1974 M1 HAD INCREASED 8.9 PERCENT AND M2 5 PERCENT ABOVE THE LEVEL AT THE END OF AUGUST 1973, COMPARED WITH YEAR-TO YEAR GROWTH RATES OF 6 1/2 PERCENT FOR BOTH M1 AND M2 IN JULY. DURING AUGUST THE INDIVIDUAL DETERMINANTS AND COMPONENTS OF MONEY SUPPLY DEVELOPED AS FOLLOWS:

|                           | 1974<br>AUGUST | 1973<br>JULY | 1973<br>AUGUST |
|---------------------------|----------------|--------------|----------------|
| BANK LENDING TO DOMESTIC  |                |              |                |
| NON-BANKS                 |                | PLUS4.5      | PLUS4.3        |
| NET EXTERNAL ASSETS OF    |                |              |                |
| BANKS (INCL.BUNDESBANK)   | -0.9           | -1.4         | -0.6           |
| SAVINGS DEPOSITS AND      |                |              |                |
| SAVINGS BONDS             | PLUS1.7        | PLUS0.7      | -0.3           |
| TIME DEPOSITS 1/ AND OUT- |                |              |                |

STANDING BANK BONDS 3/ PLUS2.0 PLUS1.9 PLUS3.3

OFFICIAL ASSETS HELD AT

CENTRAL BANK PLUS0.8 -1.0 -0.3

OTHERS -PLUS0.0 -1.2 PLUS1.5

MONEY SUPPLY (M1) -0.6 PLUS0.0 PLUS3.2

OF WHICH:CURRENCY IN

CIRCULATION AND SIGHT

DEPOSITS (M1) PLUS0.5 PLUS1.3 -2.5

TIME DEPOSITS WITH MATURI-

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TIES UP TO 4 YRS -1.1 -1.3 PLUS5.7

1/ WITH MATURITIES OF 4 YEARS AND MORE.

2/ EXCLUDING BONDS HELD BY BANKS.

BOND MARKET. EXCEPT FOR A SLIGHT INCREASE AT THE BE-  
GINNING OF THE REPORTING WEEK IN THE PRICE OF 7 PERCENT  
BONDS, PRICES OF DOMESTIC BONDS REMAINED RELATIVELY  
STABLE. THE FAZ AVERAGE YIELDS TO MATURITY OF OUTSTAND-  
ING BONDS DEVELOPED AS FOLLOWS:

|         | 8 PERCENT | 7 PERCENT | 6 PERCENT |
|---------|-----------|-----------|-----------|
| SEPT 20 | 11.28     | 10.91     | 10.47     |
| 23      | 11.27     | 11.15     | 10.47     |
| 24      | 11.27     | 11.20     | 10.47     |
| 25      | 11.26     | 11.21     | 10.48     |
| 26      | 11.26     | 11.18     | 10.68     |

NOTE: BUNDESBANK FIGURES ON BANK LIQUIDITY AND MONETARY  
RESERVES WERE NOT AVAILABLE IN TIME FOR INCLUSION IN  
THIS REPORT.  
HILLENBRAND

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** UNEMPLOYMENT, COST OF LIVING, GNP, ECONOMIC PROGRAMS, PRICES, BUSINESS FIRMS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 27 SEP 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974BONN15327  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D740273-0350  
**From:** BONN  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t1974099/aaaaahft.tel  
**Line Count:** 260  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EUR  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 5  
**Previous Channel Indicators:**  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** : BONN 14440, BONN 15273  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** golinofr  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 24 JUN 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <24 JUN 2002 by maustmc>; APPROVED <10 JUL 2002 by golinofr>  
**Review Markings:**

Declassified/Released  
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EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** FINANCIAL DEVELOPMENTS (WEEK ENDING SEPTEMBER 26)  
**TAGS:** EFIN, GE  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005